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Casey Omitted Media Stock From Trust

Concern Raised Over Capital Cities Stake

By Howard Kurtz
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When CIA Director William J. Casey set up a blind trust under pressure from Congress in 1983, he did not include 34,755 shares he owns in Capital Cities Communications, the media conglomerate that has announced a proposed takeover of ABC.

The disclosure has raised questions about why Casey excluded the stock when he placed his other financial holdings in the trust after his active stock trading was widely criticized.

It also has raised concerns about the prospect of the Central Intelligence Agency director owning stock in a company that soon may control one of the three major television networks.

Casey's holdings in Capital Cities are worth as much as $7.5 million but amount to only about one-quarter of 1 percent of the company's stock, according to a story Sunday in the Long Island newspaper Newsday.

CIA spokesman Patti Volz, asked about a potential conflict of interest, said Casey's holdings "are not significant. His holdings are so small they can't possibly pose any problem."

She would say only that Casey valued the stock at more than $250,000 in his most recent financial disclosure statement.

Casey's attorneys say they were following rules of the Office of Government Ethics in excluding the Capital Cities stock, according to CIA official Kathy Pherson.

She said the rules for such trusts do not allow an official to include a block of stock that amounts to more than 20 percent of his holdings, as Casey's Capital Cities stock did at the time.

A spokesman for the Office of Government Ethics, which oversees federal officials' blind trusts, said he was not sure whether this was an ironclad rule.

But one ethics office lawyer told Newsday that "it wasn't our decision what went into the trust," but that they went along with Casey's "desire to retain control" of the Capital Cities stock on grounds that it posed no conflict with his CIA duties.

Casey was one of the founders and original officers of Capital Cities in 1954 and served as its counsel and a director from 1976 to 1981, when he resigned to join the CIA.

Sen. Carl Levin (D-Mich.), who had criticized Casey's stock dealings, said through a spokesman that he had been assured that all of Casey's holdings had been put into the trust and was surprised to learn otherwise.

Morton H. Halperin, director of the private Center for National Security, said Casey should not own stock outside the blind trust. He said this was particularly true for a media company because Casey might seek to influence decisions on whether controversial stories are broadcast.

"He ought not to be an active stockholder in a company that owns a part of the media and is under government license," Halperin said.

Last November, the CIA asked the Federal Communications Commission to consider sanctions against ABC because of a news report charging that the CIA had conspired to kill a U.S. citizen. The complaint, later dismissed by the FCC, was filed the same day that ABC retracted the charge.

Casey established the trust after criticism of his stock trading in 1982, when he bought at least $1.5 million in securities during a 26-day period while the market was beginning a major advance. Casey said later that he had sold about half his holdings in Capital Cities to finance these investments.

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